

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00 CIEP-01

COME-00 DODE-00 EB-07 FPC-01 H-02 INR-07 INT-05 L-03

NSAE-00 NSC-05 OMB-01 PM-04 USIA-06 SAM-01 OES-03

SP-02 SS-15 STR-04 TRSE-00 FEA-01 /090 W

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R 122000Z FEB 76

FM AMEMBASSY KINGSTON

TO SECSTATE WASHDC 193

C O N F I D E N T I A L KINGSTON 0642

E.O. 11652: GDS

TAGS: EMIN, JM

SUBJECT: CURRENT BAUXITE/ALUMINA DEVELOPMENTS

1. FOLLOWING IS ROUNDUP OF CURRENT SITUATION BETWEEN
BAUXITE/ALUMINA COMPANIES AND GOJ:

2. KAISER - KAISER VICE PRESIDENT LINDEMUTH TOLD AMBASSADOR
FEBRUARY 11 KAISER "FRANKLY PUZZLED" GOJ HAD NOT PUSHED
FOR FINALIZING OF AGREEMENTS. LINDEMUTH STATED DRAFTS
ALMOST COMPLETE AND ONLY NEEDED "A LITTLE MORE CONVERSATION";
HOWEVER, KAISER HAD HAD NO MEETING WITH GOJ REPS SINCE
LAST NOVEMBER. LINDEMUTH SAW MAYER MATALON WHO SAID HE
EXPECTED TO BE IN MEXICO LAST WEEK OF FEBRUARY FOLLOWING
WHICH HE WOULD VISIT KAISER AT OAKLAND. SINCE THIS IS THIRD
SCHEDULED MEETING WITH GOJ REPS (OTHER TWO WERE CANCELLED),
LINDEMUTH NOT CERTAIN WHETHER OR NOT MATALON MEETING WILL
COME OFF AS PLANNED. HE THOUGHT LACK OF GOJ INITIATIVE
VIS-A-VIS KAISER MAY BE DUE TO NEGOTIATIONS CURRENTLY IN
PROGRESS WITH ALCOA.

3. ALPART - BOTH KAISER AND ANACONDA REPRESENTATIVES IN
KINGSTON IN CONNECTION WITH MANAGEMENT CHANGE-OVER AT
ALPART. KAISER ORIGINALLY AGREED ASSUME MANAGING PARTNER
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ROLE FOR TEN YEARS WITH NO FEE. APPROXIMATELY EIGHT YEARS

OF PERIOD HAVE EXPIRED AND KAISER HAVING INCREASED DIFFICULTY IN FINDING EXPATRIATES TO MANAGE ALPART PLANT. ACCORDING LINDEMUTH DISCUSSIONS AMONG PARTNERS (REYNOLDS, KAISER AND ANACONDA) HAVE BEEN IN PROGRESS FOR APPROXIMATELY ONE YEAR, AND REYNOLDS HAS NO AGREED TO ASSUME MANAGING PARTNER ROLE ON NO FEE BASIS. NO DATE FOR CHANGE-OVER OR FOR DURATION OF CONTRACT HAS BEEN SET, BUT LINDEMUTH ANTICIPATES PERIOD WILL BE NOT LESS THAN FIVE OR MORE THAN TEN YEARS. GOJ HAS BEEN INFORMALLY ADVISED OF DECISION. IN SEPARATE DISCUSSION FEBRUARY 10 ANACONDA REPRESENTATIVES ALSO INFORMED AMBASSADOR OF IMPENDING MANAGEMENT CHANGE-OVER. THEY INDICATED ALPART'S FUTURE SOMEWHAT DOUBTFUL BECAUSE OF CONTINUING TECHNICAL PROBLEMS, AND THAT NONE OF PARTNERS CONSIDERED PRESENT SITUATION VERY SATISFACTORY.

4. REVERE - VICE PRESIDENT MOLOWA TELEPHONED AMBASSADOR FEBRUARY 12 TO REPORT THAT COURT CASE GOING AS PLANNED. (SEE KINGSTON 31, 199 AND 243 ON THIS SUBJECT.)

5. ALCOA - AMBASSADOR LUNCHEDE FEBRUARY 10 WITH ALCOA REPRESENTATIVES IN KINGSTON FOR NEGOTIATIONS WITH GOJ. MEMBERS OF ALCOA TEAM ARE: MESSRS. WINCKLER, VP, CONTROLLER; PARRY, VP, OPERATIONS/PRIMARY PRODUCTS; FISCHER, LEGAL COUNSEL; KALTWASSER, ALUMINUM/CHEMICAL DIVISION; CROUCH, GENERAL MANAGER; VOLDING, DEVELOPMENT MANAGER; AND NOVELL, LOCAL ATTORNEY.

6. ALTHOUGH TEAM BASICALLY OPTIMISTIC THAT FINAL AGREEMENT CAN BE REACHED, NUMBER OF PROBLEMS REMAIN WHICH INCLUDE SETTING OF MINIMUM TONNAGES FOR 1976 AND POSSIBILITY OF EXPANSION OF OPERATIONS. EXPANSION WILL BE TREATED AS OPTION FOR EITHER SIDE TO BE EXERCISED ON LONG TERM BASIS IF AND WHEN CIRCUMSTANCES PERMIT. CRUX OF NEGOTIATION IS DURATION OF AGREEMENT. ACCORDING ALCOA, GOJ NEGOTIATIONS SAY THEY CAN NOT BIND ANY SUCCEEDING GOVERNMENT ON REVENUE ISSUE, AND LONGEST POSSIBLE TERM OF AGREEMENT APPEARS TO BE EIGHT YEARS. NEGOTIATIONS ALSO CONCERNED WITH ARBITRATION ISSUE. ALCOA HAS TEMPORARILY SHELVED ICSID ISSUE BUT CONSIDERS CASE FAR FROM DEA ALTHOUGH ALCOA CAN CONTROL TIMING. EFFORT BEING MADE TO FIND ALTERNATIVE ARBITRATION PROCEDURE

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TO BE INCLUDED IN NEW AGREEMENT WHICH WOULD BE ACCEPTABLE TO BOTH PARTIES. ONE PROBLEM IS WHETHER PROCEEDINGS WOULD BE UNDER JURISDICTION US, JAMAICA, OR THIRD COUNTRY LAW. (GOJ NEGOTIATOR IS MAYER MATALON, ALTHOUGH FORMER AMBASSADOR FLETCHER AND BAUXITE COMMISSION SECRETARY ANGUS ARE PRESENT AT DISCUSSIONS.)

7. AMBASSADOREXPRESSED CONCERN THAT AT INDUSTRY'S URGING

USG HAD TAKEN INITIATIVE IN ICSID MATTER YET ALCOA APPEARED TO HAVE DISCARDED ISSUE ALMOST IMMEDIATELY AT ONSET OF NEGOTIATIONS. ALCOA GROUP ADMITTED AMBASSADOR'S IMPRESSION CORRECT BUT INDICATED ICSID CASE FAR FROM CLOSED AS EXPLAINED ABOVE. FURTHERMORE, THE PRESSURE USEFUL IN CURRENT NEGOTIATIONS.

8. COMMENT: EMBASSY CONCERNED THAT ALCOA MAY MAKE ARBITRATION AGREEMENT WITH GOJ WHICH WILL AFFECT USG ABILITY PROTECT USG INTERESTS WHEN DISPUTE BETWEEN GOJ AND ALCOA ARISES AGAIN--WHICH IS INEVITABLE. ALCOA HAS PROMISED TO KEEP EMBASSY ADVISED BUT WE FEAR SUCH CONSULTATION MAY BE AFTER THE FACT RATHER THAN BEFOREHAND. SUGGEST DEPARTMENT KEEP IN CLOSE TOUCH WITH ALCOA ON ARBITRATION ISSUE.

GERARD

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